

City of Midland, Michigan

Governmental Funds

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (2,887,371)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciable expense	7,459,110
During the current year, the City established a separate enterprise fund to account for arena activities. Amounts recorded as expenses in the construction fund in prior year for capital outlay were also capitalized as CIP in the government-wide statement of net assets; therefore, the net amount of these assets were transferred to the new civic arena	(9,287,647)
Internal Service Funds are used by the City to charge the cost of certain activities to individual funds. A portion of net revenue (expense) of the Internal Service Funds is reported with governmental activities	(596,408)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. Some of the City's receivables will be collected after year end, but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the funds:	
Increase in account receivable from State of Michigan	\$ 774
Reclass deferred revenue not received	<u>33,968</u>
Total deferred revenues	34,742
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets:	
Proceeds from issuance of debt	-
Payments on long-term debt	<u>242,944</u>
Total debt activity	242,944
During the current year, the City established a separate enterprise fund to account for arena activities. Amount recorded as debt was transferred from the governmental-type funds to the civic arena	6,500,000
Accrued compensated absences, in most cases, are not recorded in governmental funds. These expenses are recognized when earned in the statement of activities	(256,436)
The collection of property taxes to fund a reserve for tax appeals is recorded as revenue in governmental funds. However, this reserve will eventually be paid out, so it is a liability, and the change in this reserve is shown as a reduction to the current year's property tax revenue in arriving at the change in net assets	(490,083)
Investments in joint ventures are not financial resources and therefore are not shown on the fund-based statements	<u>(12,342)</u>
Change in Net Assets of Governmental Activities	\$ 706,509